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SUBJECT: CODEL PELOSI MARCH 19-20 VISIT TO CAIRO: MEETING
WITH PRIME MINISTER NAZIF

Classified by Charge Gordon Gray for reasons 1.4 (b) and (d).

11. (C) Summary. During a meeting with CODEL Pelosi, PM Nazif asserted that Egypt is "systematically" building a democratic system. He also highlighted Egypt's economic reforms and called for strengthening the bilateral economic relationship. Nazif expressed concern over the image of the U.S. in Egypt, noting how history has made the concept of occupation a very sensitive one for Egyptians. Nazif argued strongly against shifting U.S. assistance from the military sector to development. End summary.

12. (U) House Democratic Leader Pelosi (D-CA) was joined at the meeting by Rep. Darrell Issa (R-CA), Rep. George Miller (D-CA), Rep. Henry Waxman (D-CA), Rep. Edward Markey (D-MA), Rep. Anna Eshoo (D-CA), Rep. Jim McGovern (D-MA), Rep. Linda Sanchez (D-CA), House Sergeant at Arms Wilson Livingood, the Charge, and ECPO Counselor (notetaker). Nazif was accompanied by Cabinet Secretary General Dr. Sami Zaghloul, Spokesman Magdy Rady, and Assistant Foreign Minister for the Americas Shadia Farrag.

14. (SBU) Nazif welcomed the CODEL to Egypt's Smart Village, a high-tech business park outside Cairo. Nazif took particular pride in pointing out that the Smart Village, which he nurtured during his previous job as Minister for Communications and Information Technology, counted Microsoft and Vodafone among its tenants. He emphasized the value he put on the U.S.-Egypt relationship, and expressed his desire to see greater bilateral trade and investment. Nazif highlighted recent Egyptian political reforms, calling the CODEL's attention to President Mubarak's recent announcement on multicandidate presidential elections and a new law on political parties.

15. (C) Leader Pelosi expressed gratitude for Egypt's assistance during the recent conflict with Iraq, particularly overflights of U.S. aircraft and expeditious transit of the Suez Canal. Rep. Miller asked Nazif to what extent Egypt's recent "political opening" was home-grown, rather than imported. Nazif responded that "we can not ignore messages from the U.S." and that Egypt understands that the U.S. sees democratic reform in the Middle East as essential to its own security. At the same time, Nazif noted that every country must move at its own pace of development and the Egypt is "systematically" building a democratic system. He cautioned that Egypt is determined to avoid the "instability" that Lebanon is currently suffering. He said that Egyptians' first preoccupation is with jobs, then prices and government services, with democracy falling fourth on the list of priorities. Later in the meeting, Leader Pelosi expressed concern about the arrest of opposition politician Ayman Nour, suggesting his detention bodes ill for democratic reform. Nazif replied that the charges against Nour were not political. Rather, he said, serious and credible criminal charges had been made, and they would be investigated and appropriate action taken.

16. (SBU) Nazif highlighted recent or planned changes to Egypt's customs and income tax regimes and asked for help from the U.S. as Egypt reforms its social safety net, i.e., subsidies. Nazif said that he planned to visit the U.S. soon, perhaps in the first half of May, and would bring with him a detailed explanation of what reforms the GOE plans to carry out and what help it will seek from the U.S.

17. (C) After praising Egypt's constructive role in the peace process, Rep. Waxman asked for Nazif's views on perceptions of the U.S. in Egypt in the wake of the Iraq war. Nazif described himself as "very concerned" about the image of the U.S. in Egypt. He emphasized that Egyptians know and appreciate the assistance the U.S. has provided over the past 25 years, but that history makes the concept of foreign occupation of an Arab country "very vivid" in Egyptian minds. That said, Nazif continued, it would be a "huge accomplishment" if the U.S. could bring stability to Iraq. Unfortunately, he added, the media "focuses on bombs, not progress." Egyptians are also worried by U.S. efforts to "impose democracy" and wary of U.S. policy towards Syria.

18. (SBU) Rep. Markey asked Nazif to explain how Qualifying Industrial Zones (QIZ) work and how they benefit Egypt. The

Prime Minister explained the background of the program and how the end of national textile quotas forced Egypt to find a way to preserve its share of the U.S. apparel market. He commended the U.S. Trade Representative's office for their part in reaching a QIZ agreement quickly, and said that the deal will mean 150,000 new jobs for Egyptians.

9. (C) Nazif then raised the proposal of Rep. Lantos to shift some U.S. assistance to Egypt from security to economic development, (i.e., from FMF to ESF). Nazif argued strongly against such a shift, emphasizing that it is essential to keep Egypt's military strong. "It is a zero-sum game," Nazif said, meaning that any reduction in U.S. military assistance will have to be made up from elsewhere in the GOE budget. In response, Rep. Waxman asked Nazif what enemy requires Egypt to have such a strong military. Nazif emphasized that Egypt's is a defensive, rather than offensive, army, an "anti-terrorist army."

10. (SBU) Rep. Eshoo asked about Internet penetration in Egypt. Nazif replied that the GOE is pushing hard to implement e-government and e-learning initiatives, with plans to have 7,000 schools serving grades 7-9 completely wired for high-speed Internet access within three years. He also highlighted Egypt's programs to make computers and Internet access more affordable.

11. (SBU) Rep. McGovern praised the GOE's education initiatives, and Nazif explained the GOE's plans to expand an education decentralization pilot plan. Rep. McGovern asked about the role of women in Egyptian politics. Nazif said that, while progress had been made in increasing voter turnout among women, Egypt still elected few women to public office.

12. (U) CODEL Pelosi did not have an opportunity to clear this message before departing Egypt.

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GRAY